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ROUGH DRAFT

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TO : Acting DD/A

FROM : Acting Comptroller

SUBJECT: Action Required on Auditor-in-Chief's Report of 6 November 1953

I. The Problem

To obtain further clarification regarding the recommendations made by the Auditor-in-Chief; determine the courses of action to be followed, and to designate the individuals responsible for initiating, coordinating, and completing such action.

II. Discussion

Following are brief comments concerning each of the Auditor-in-Chief's recommendations. The paragraph numbers listed below correspond to the paragraph numbers under "Recommendations" in the Auditor-in-Chief's report of 6 November 1953:

1. The recommendation to delegate greater discretion to station chiefs in determining the costs of small individual FI projects has considerable merit and recommendations to that effect have been made to FI by this office on several occasions in the past. However, the directors of the FI activity appear to want to exercise detailed central controls of various types (not just financial controls) over these small projects on a world-wide basis. The burdensome system referred to by the Auditor-in-Chief is the result of specific requirements of FI and the various Divisions and Desks rather than basic requirements of the Comptroller's office. If FI agrees with the Auditor-in-Chief's

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NEXT REV DATE 10 REV DATE 29/01/80 REVIEWER TYPED DOC. 42
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recommendation we would welcome an opportunity to work out a simplified system of financial controls with them.

2. Limitations of the type mentioned may be prescribed or imposed by the PRC, in an Administrative Plan, by DD/P and his Staffs, by Divisions and Desks, etc. Some of these limitations are contained in formal documents such as PRC Plans or Administrative Plans, which are provided the Comptroller's office for enforcement. In other instances, the limitations are prescribed by the operating Staffs, Divisions or Desks by dispatches or cables to the field and the Comptroller's office may or may not, be provided with copies of such communications. Although certain types of limitations are necessary, we agree with the Auditor-in-Chief that Headquarters should delegate maximum authority to the field for implementation of projects. The solution to this problem would appear to be first, ^{an} ~~that~~ the agreement among the various operating components ^{as to} ~~of~~ the degree of authority and discretion which ^{will} ~~must~~ be exercised in the field, and/or at Headquarters, ^f following which a more precise, formal, and consistent method might be devised of notifying the field of project approvals and of the scope of their authority in implementing and administering same. The compounding of limitations prescribed by various DD/P Staffs, Divisions, and Desks appears to be primarily a matter for action within the DD/P complex.

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~~3. The report does not specify the types of vouchers which the DD/P operating divisions require to be submitted to Headquarters for review and approval. Where special directions are given to a field station to make disbursements of funds for operations actually being conducted at Headquarters, such as purchases of special types of materials, the vouchers probably should be T/A'd to headquarters for approval and recordation. The Auditor-in-Chief, however, should be requested to advise specifically the types of vouchers to which this comment relates.~~

3. This paragraph indicates that vouchers approved in the field are submitted to ^{Headquarters} Divisions for approval. This practice was discontinued some 6 to 8 months ago. Vouchers approved by Station Chiefs, Chiefs of Mission, etc., are processed based on such approval without reference to the Division involved. Exceptions occur, of course, in those cases wherein expenditures are made which, under regulations, must have Headquarters' approval. Such items are referred for necessary approving action. This is the result of inadequate delegation of authority to the field rather than of requirements with respect to approval of accountings. An exception of the above exists with respect to accountings by the Senior Representatives since the Director, Central Intelligence has instructed that such accountings are to be approved by the DD/P and reviewed by the DD/A. This instruction,

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also, precludes certification and audit of the Senior Representative accounts in the field.

4. We agree that positive action should be taken to insure that copies of Administrative Plans on subsidy, proprietary, and special projects should be sent to field stations whenever the station is responsible for implementing action or providing support under the plan. We further suggest that the Staff that prepares Administrative Plans be required to prepare plans in a sterile form which can be released to the field, and to prepare a transmittal letter forwarding such plans and including specific instructions concerning the field stations responsibility for implementing, supporting and reporting upon the project.

5. *This item appears to be covered by [redacted] dated 9 Nov. 1953.*
~~This criticism of headquarters is probably well deserved and the proposed solution should prove beneficial; however, in view of the difference in time required in the transmittal of dispatches to and from headquarters depending upon the station location, it might be preferable to establish a 45 or 60 day period, rather than a 30 day period for some stations, before the failure to reply is reported to headquarters.~~

6. The adoption of such a suggestion for strengthening the effectiveness of the O&M Service warrants serious consideration as it might have undesirable as well as desirable results. If the Agency component served by O&M

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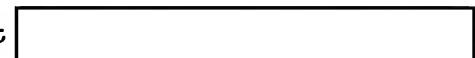
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is required to report to top Agency officials concerning the action taken with respect to each O&M recommendation, any present tendency toward ignoring the O&M report might be diminished. On the other hand, the establishment of a requirement that all O&M recommendations be reviewed by, or come under the surveillance of, the top officials of the Agency would place a very heavy burden of detailed work on such officials and might also result in a reluctance on the part of the various Agency components to request the services of the O&M staff.

7. ~~This comment has no value to this Office as there are no specific examples of (a) inadequacies found to exist in the control of funds or (b) areas in which the overall Agency fiscal system is unsound. Also, we know of no instruction now being prepared for promulgation to the field which will cure the alleged weaknesses; however, a revised Class A station accounting procedure now nearly ready for release may be the instruction to which reference is made. The recommendations concerning allotments presumably applies only to FI projects. See comments under Par. 1 applicable to this.~~

8. It is not clear from the comment as to the type of certificates which were found to have been falsified. This may relate to certificates required to justify the absence of receipts in cases where it is determined impossible to obtain a receipt



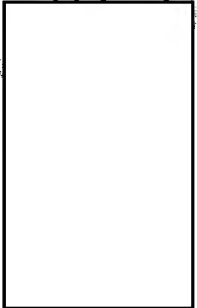
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*Classified from 25X1A
with
Exemption #7*



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12. secure a listing of all Agency projects with [redacted] 25X1A
[redacted] headquarters and ascertain with respect
to each the propriety of designating Agency Comptrollers
or principal accounting officers to represent our interest.

III. Summary

1. This office agrees in principle with the recommendations and/or objectives stated in Paragraph IV 1, 2, 4, 5, 9, and 11 of the Auditor-in-Chief's report and would welcome the opportunity of participating in the development of specific procedures and plans to implement these general recommendations. We should like to point out, however, that these recommendations pertain to matters which offices other than the Comptroller (principally DD/P) exercises primary control and final decision. Therefore, the DD/P's agreement with these recommendations (except item 5) is an essential prerequisite to action, and the operating components of DD/P participate in the detailed development of procedures on these subjects is necessary since changes in existing operational procedures and methods are involved.

2. The recommendations contained in Paragraph IV 3, 7, 8, 10, and 12 of the Auditor-in-Chief's report require further clarification. If after clarification it is determined that action is required on all of these items, it would appear that the Comptroller's office should initiate the required action on items 7, 8, and 12. Item 3 would appear to require joint action by DD/A and DD/P, and item 10 would appear to require joint action by DD/P, I&S, and the Comptroller.

3. Item 6 is a matter for determination by DD/A and DCI. Our general comments on this item are contained in Paragraph II 6 above.

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IV. Recommendations

1. That a meeting of the DD/A, DD/P, Auditor-in-Chief, and Comptroller be held to obtain further clarification on some of the recommendations, and to designate representatives of various offices to form a Task Force to take specific action to implement items 1, 2, 3, 4, 5, 9, and 10, or such portions thereof as may be approved for implementation.

2. That DD/P be urged to appoint an experienced "operations officer" to this Task Force so that the "operational aspects" are given adequate and proper consideration and thereby insure acceptance by the DD/P

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[Redacted Signature Box]

Acting Comptroller

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